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HEADLINE: Alcatel in danger of losing AT&T role

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BODY:

Alcatel-Lucent looks set to lose business with AT&T to its arch-rival in a fresh blow to the troubled Franco-American telecoms equipment maker.

The Swedish group Ericsson is capitalising on Alcatel-Lucent's severe difficulties to strengthen its leading position in mobile phone infrastructure deals based on WCDMA technology, the dominant third-generation wireless transmission standard.

Alcatel-Lucent has issued three profit warnings since the merger was finalised last December. Pat Russo, chief executive, has been asked by the board to produce a revival plan.

AT&T, the world's largest telecoms company, awarded a Dollars 2bn contract in 2004 to Ericsson, Lucent and Siemens to supply 3G mobile infrastructure for its US wireless network.

Under the original terms, Ericsson was to get about Dollars 900m, Lucent Dollars 700m and Siemens Dollars 400m.

But people familiar with the situation said Ericsson's share of the contract was to exceed 50 per cent. After delays by Alcatel-Lucent delivering WCDMA equipment, Ericsson had stepped in.

AT&T has considered reducing its suppliers to two by dropping Alcatel-Lucent. It is understood to have decided for now to retain all three, subject to review.

AT&T and Ericsson declined to comment.

Alcatel-Lucent said: "We continue to be a critical WCDMA supplier to AT&T. Our market share has remained relatively stable and we anticipate that if we can continue to meet our commitments we will maintain our market share."

Uncertainty about Alcatel-Lucent's product portfolio after the merger contributed to a decision in May by Vodafone to award a Dollars 340m WCDMA mobile infrastructure contract to Ericsson, people familiar with the matter said. Huawei, the Chinese telecoms equipment maker, will also be a supplier to Vodafone.

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